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MAR 22 1993

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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March 22, 1993

BY HAND

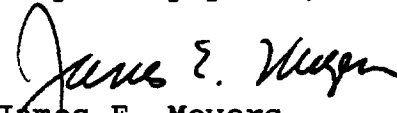
Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N. W.
Washington, D. C. 20554

Re: MM Docket No. 92-266

Dear Ms. Searcy:

The enclosed written communication was made this date to the Offices of Commissioners Quello, Duggan and Barrett and to the Offices of the Mass Media Bureau and Office of Plans and Policy. Kindly associate this correspondence and its enclosures (which are being provided to you in duplicate) in the Docket file.

Very truly yours,


James E. Meyers

Enclosure

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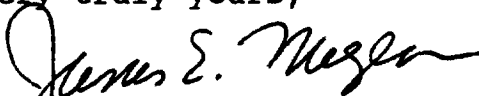
John C. Hollar, Esq.
Legal Advisor
Office of Commissioner Duggan
Federal Communications Commission
Room 832, Stop Code: 0104
1919 M Street, N.W.
Washington, D.C. 20554

Re: Docket No. 92-266
Encore Media Corporation

Dear John:

Enclosed is a letter that John Sie asked me to deliver to you. If you have any questions, please let us know.

Very truly yours,



James E. Meyers
Counsel for
ENCORE Media Corporation

Enclosure

cc: Mr. Robert Corn-Revere (w/enclosure) (by hand)
Mr. Robert Branson (w/enclosure) (by hand)
Mr. William H. Johnson (w/enclosure) (by hand)
Mr. Robert M. Pepper (w/enclosure) (by hand)
Ms. Florence Setzer (w/enclosure) (by hand)

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A pure commodity approach averages all of the existing cable programming services together, including low cost services such as The Weather Channel, Nostalgia, VISN/ACTS, etc. This would be devastating to ENCORE since it will preclude cable operators from creating successful "bite-size" tiers. The real cost of "locomotive" services would far exceed the commodity benchmark.

We fully support the current FCC and cable industry's thinking of using a benchmark "per channel" scenario to make it simple and broadly applicable to all systems. We therefore recommend that, for channels which do not carry advertising like ENCORE, a multiplier between 2.5 to 3.0 be applied to the benchmark. We derive the multiple from the following logic:

According to Kagan's Newsletter analysis, the top 10 basic cable networks derive their revenues on a 60/40 basis, i.e., 60% from national advertising and 40% from license fees paid by cable operators. Thus without advertising revenues, the license fees would have to be increased 2.5 times to equal the same revenues for these services. In addition, because of the higher cost to acquire high quality programming, we added another 0.5.

By using such a multiple, the regulations would actually encourage the development of cable programming services with no advertising, thereby not eroding the only revenue base of the broadcasters. This would help in restoring the balance for the broadcasting industry that the Act sought to achieve.

Furthermore, the Act specifically provides, among factors used in establishing the criteria of whether cable programming service rates are unreasonable, that the absence of advertising revenues by the cable operators and the programming service (which go hand-in-hand) are considerations which warrant a higher benchmark than those programming services which carry advertising.

Again, thank you very much for listening to us. We appreciate any help that you can give us to assure that the desire of ENCORE to add diversity to the public be not prematurely dashed by a broad stroke of the FCC regulatory pen.

Best regards,


John J. Sie

cc: Mr. Robert Corn-Revere
Mr. Robert Branson
Mr. William H. Johnson
Mr. Robert M. Pepper
Ms. Florence Setzer

MARKETING

Tier-ful Surprise

Some operators say Encore helping to drive program packages

BY K.C. NEEL

Encore — which was launched in 1991 as the "glue" that would hold pay TV packages together — is taking another tack in the post-reregulation era: basic cable tiers.

"We think the future is best suited for tiers and we can help operators with new services and help drive sales. For those

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people who are going to add new services, they'll probably do it in tiers," said vice president of marketing Warren Zeller.

Case in point: Inland Cable Communications in Attleboro, Mass., began March 1 to sell a four-network tier that includes Encore for \$2.95. In two days, the tier had a 10.5-percent penetration rate, thanks largely to Encore's appeal, according to Donald Charlebois, the sales marketing manager at the Continental-owned system which counts 12,600 customers.

"Encore is definitely the main appeal of the tier," he said.

Likewise, in North Adams, Mass., Berkshire Cablevision — an Adelphia Communications system — is selling Encore in a package of five other basic services for \$5.50 a month; the sell-in rate stands at 40 percent.

"The anchor of our tier is Encore," said Ron Rup, the system's regional sales manager. "We used to have Discovery in the tier, but moved it down to the tier below it and we needed something that would draw people to this tier. Encore was that draw."

Berkshire Cablevision offers three tiers of service:

- A broadcast basic package of 17 off-air signals for \$9.95.

since his system was rebuilt last summer, said Berkshire may add the Sci-Fi Channel to the Encore package later this year.

Just under half the customers who have been offered the standard tier have taken it, according to Rup. The only marketing effort has been a door-to-door sales campaign in areas that have been rebuilt and can receive the tier, he added.

So far, about three-quarters of Berkshire's 13,500 customers have been offered the new tier featuring Encore.

Across the state in Attleboro, Inland Cable created a four-tier set-up March 1. The broadcast basic package — which no one has subscribed to solely, according to Charlebois — includes five broadcast services, QVC, Home Shopping Network, a locally produced news channel and municipal and school channels for \$8 a month.

Basic service

Full cable service is a 30-channel, \$18.40 package that includes the broadcast basic service, some Boston off-air stations, The Family Channel, Nickelodeon, Arts & Entertainment, Headline News, CNBC, The Weather Channel, The Nashville Network and C-SPAN services, among others.

For \$20.25, customers receive the first two tiers, plus another 10 satellite-delivered networks, including CNN, MTV and New England News Channel.

The last tier, which consumers aren't required to buy through to receive, costs

\$2.95 and includes the system's newly launched services: Encore, Cartoon Network, Sci-Fi Channel and Court Television.

After the tier had been available for two days, Charlebois said Inland had "many people calling up and asking for the 'Encore package.'"

Rup said the tier has helped drive sales, even though he'd like to see a bigger customer buy-in rate: "We have a wide range of demographics here, from affluent customers to very depressed areas. We've tried to appeal to everyone and tiering helps."

So far, the system has only marketed the tier door to door, but plans to broaden its sales efforts when the rebuild is done. However, he's not expecting to add big numbers in an economy that's still soft.

Charlebois expects Encore to hit a 30-percent penetration rate by year's end, even though Attleboro is grappling with the same economic problems North Adams is. Still, he said the system wants to capitalize on the fact that its customers like the idea of paying for only what they want to watch.

"When we started the tiers, we did two questionnaires asking them whether they supported the idea of separate tiers," he said. "We had considered adding these networks (Encore, Cartoon, Court TV and Sci-Fi Channel) to the \$20.25 tier and raise rates."

"But we received an overwhelming 'yes' to the idea of another tier."

due to our unique position in the market, we are able to offer a tiered service that is not available elsewhere. This tiered service is designed to provide our customers with a choice of service levels and pricing. We believe this tiered service will be a major factor in our success in the market.